method of interconnection avoids the need for collocation because the networks are connected outside of the ILEC's serving wire center.

Q. WHAT IS THE BASIC DISAGREEMENT ON THIS ISSUE?

A. Since AT&T has the legal right to choose both the method and location of interconnection,[64] AT&T has proposed, consistent with that right, to select, at its sole discretion, Meet Point interconnection as its method of interconnection, and also to select the location of the splice point and the wire centers for the location of the terminating equipment. Verizon objects to AT&T's proposal, asserting that mutual agreement should be required for meet point interconnection because this method of interconnection requires joint provisioning and utilization.

While AT&T agrees that joint provisioning and shared utilization are involved when implementing Meet Point interconnection, it does not agree that this fact mandates that the ILEC agree to the selection of the method and the location of the meet point. The law contains no such exemption and there is no technical reason that the issue of selection and location of the Meet Point facility would of necessity mandate mutual agreement.

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[64] As AT&T pointed out in its Petition, AT&T has the sole right as a CLEC, pursuant to the Act, FCC regulations and the *Local Competition Order* to require any technically feasible method of interconnection, and that right includes the right to select the method as well as the location of the interconnection. AT&T Petition at 46-48. Moreover, the FCC has found that Meet-Point interconnection is a technically feasible method of interconnection. *Id.*

Q. WHAT IS AT&T'S SPECIFIC PROPOSAL ON THIS ISSUE?

A. AT&T proposes a process whereby it would notify Verizon that it chooses to interconnect via Meet Point interconnection and identify the Verizon and AT&T wire centers that would be the terminating points for the mid-span, as well as the location of the splice point between those wire centers. AT&T has proposed that unless otherwise agreed to, each party shall bear all expenses associated with the purchase of equipment, materials, or services necessary to install and maintain the Meet Point arrangement on its side of the fiber splice. This proposal makes sense because all equipment and facilities on the party's side of the fiber splice will belong to and be maintained by that party. Moreover, this proposal is consistent with the FCC's acknowledgment in the *Local Competition Order* that each party needs to build out its own facilities in order to establish a Meet Point interconnection. [65] AT&T also agrees to equally share the construction costs associated with any buildout, regardless of the location of the fiber splice. This cost sharing arrangement ensures that Verizon will not be unfairly burdened if the splice point is located closer to AT&T's wire center, or if for some other reason, it costs Verizon more to construct its side of the meet point.

Q. AREN'T THERE SOME DETAILS THAT REQUIRE MUTUAL AGREEMENT?

A. Yes. While AT&T does not agree that mutual agreement is required to select Meet Point interconnection as a method of interconnection, or to select the location for the Meet Point facilities, it does agree that numerous details regarding

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[65] *Local Competition Order* at ¶553.

the arrangement, such as routing issues, determining facility system size (OC-n) based on traffic forecasts, and selecting equipment type, should be mutually agreed upon, and it provides for such mutual agreement in its proposed language (See Section 1.6.4). AT&T also provides that if the Parties cannot agree on these implementation related terms, the issues should be resolved via the dispute resolution methods in the Agreement. In this way Verizon's stated concerns relating to the details associated with joint provisioning and use can be specifically resolved without eliminating AT&T's right to choose its method and location for interconnection.

Sub-Issue III.3.A. Should Mid-Span Fiber Meet facilities be established within 120 days from the initial mid-span implementation meeting?

Q. PLEASE DESCRIBE SUB-ISSUE III.3.A.

A. Sub-Issue III.3.A is set forth in the DPL as follows: "Should Mid-Span Fiber Meet facilities be established within 120 days from the initial mid-span implementation meeting?" It is AT&T's contention that Verizon must commit to interconnection activation dates associated with mid-span interconnection. Verizon, on the other hand, does not want to agree to a specific time frame, but rather wants to hold meet point interconnection hostage to Verizon's approval of all implementation details relating to the mid-span interconnection.

Q. WHAT IS VERIZON'S PROPOSAL?

A. Verizon states it will agree to 120 days for implementation as long as the 120 days does not begin to run until the Parties have agreed to all the details in a Memorandum of Understanding (MOU). [66] By requiring the signing of the MOU before the implementation time frame can begin to run, Verizon is in essence not committing to any time frame at all.

Q. WHY IS THIS A PROBLEM?

A. As I stated in Issue III.3, Meet Point interconnection should not be subject to Verizon's mutual agreement on all the implementation details. This is precisely what Verizon's "activation commitment" requires, however. AT&T has a right to meet point interconnection and this right should, like all other interconnection

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[66] Verizon Response at 30.

rights, be provided in a timely manner – it should not be an open ended process subject to Verizon's whims. A CLEC must be able to rely upon a time frame for interconnection in order to effectuate its business plans, serve customers, and otherwise address increased demand.

Q. IS AT&T'S PROPOSAL REASONABLE?

A. AT&T's proposal is entirely reasonable. It provides that the Meet Point facilities should be implemented within 120 days from an initial implementation meeting (Section 1.6.2). It is at this initial meeting that the Parties will discuss the detailed implementation plans relating to system size, equipment type, routing, etc. AT&T's language provides that if the Parties cannot agree to the material terms at that meeting, the dispute resolution terms of the agreement should apply. AT&T's language also provides that the Parties can mutually agree to stay the implementation date or either party can request a stay from the state commission. With stays limited to these two circumstances, AT&T can reasonably rely upon an interconnection time frame and thus be assured of a fair and timely interconnection process. The proposal, however, also protects Verizon, because it provides Verizon with the opportunity to request and be granted a stay whenever there are legitimate circumstances that will prevent it from meeting the deadline.

Issue V.2 ***Interconnection Transport*** What is the appropriate rate for Verizon to charge AT&T for transport purchased by AT&T for purposes of interconnection – the UNE transport rate or the carrier access rate?

Q. PLEASE DESCRIBE ISSUE V.2.

A. Issue V.2 is set forth in the DPL as follows: "What is the appropriate rate for Verizon to charge AT&T for transport purchased by AT&T for purposes of interconnection – the UNE transport rate or the carrier access rate?" It is Verizon's position that it can charge AT&T access rates for any interconnection facilities AT&T may lease that do not terminate at a collocation arrangement. It is AT&T's position that UNE transport rates are the appropriate rates to apply when AT&T leases interconnection facilities from Verizon. AT&T's position is fully supported by the law and sound public policy.

Q. WHAT DO YOU MEAN BY INTERCONNECTION FACILITIES?

A. As I stated in my testimony on Issue I.1, AT&T can implement interconnection by either self provisioning facilities to the POI, or by leasing facilities from Verizon or third parties. It is these facilities from the originating carrier's switch to the POI that are characterized as interconnection facilities. This issue involves the rates that AT&T should pay Verizon if it leases Verizon facilities to deliver its traffic to the designated POI.

Q. WHAT DOES COLLOCATION HAVE TO DO WITH THIS ISSUE?

A. Verizon has agreed to allow AT&T to purchase UNE Inter-Office Facilities to connect an AT&T switch location to a Verizon wire center if AT&T also purchases a collocation site at the Verizon wire center. If there is no collocation,

however, Verizon requires AT&T to purchase those same facilities at its substantially-higher access rates.

Q, WHAT IS VERIZON'S RATIONALE FOR THIS POSITION?

A. Verizon's rationale for its position is that the requirement to price transport at UNE rates does not apply when there is not a collocation site to terminate the facilities because in those circumstances Verizon is providing "an end-to-end service" where Verizon is responsible for all aspects of the service.

Q. DOES VERIZON'S RATIONALE HAVE ANY LEGAL SUPPORT?

A. No, not at all. Verizon's position violates its obligation to provide unbundled network elements. Under § 251(c)(3) of the Act, an ILEC has the "duty to provide, to any requesting telecommunications carrier for the provision of a telecommunications service, nondiscriminatory access to network elements on an unbundled basis at any technically feasible point on rates, terms and conditions that are just, reasonable and nondiscriminatory."

With respect to interoffice facilities specifically, the FCC has ruled in both the *Local Competition Order* and more recently in the *UNE Remand Order* that ILECs "must provide interoffice transmission facilities on an unbundled basis to requesting carriers."[67] With respect to this obligation the FCC stated in the *Une Remand Order*:

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[67] *Implementation of Local Competition Provisions of the Telecommunications Act of 1996*, CC Dkt. 96-98, Third Report and Order and 4th Further Notice of Proposed Rulemaking,

> Although the record indicates that competitive LECs have deployed transport facilities along certain point to point routes, the record also demonstrated that self provisioned transport, or transport from non-incumbent LEC sources is not sufficiently available as a practical economic or operational matter to warrant exclusion of interoffice transport from an incumbent LECs unbundling obligations at this time.
>
> *UNE Remand Order* at ¶321.

Thus, AT&T is within its rights to request that Verizon provide it with interoffice facilities to deliver its traffic to the designated POI. Furthermore, if the Commission were to adopt Version's POI proposal (which it should not do), AT&T would become financially responsible to carry Verizon's traffic between Verizon's originating switch and the AT&T switch, and AT&T requirements for leased facilities would be many times greater than it is today. Having to pay exchange access rates to transport Verizon's originating traffic would be a double wammy for AT&T. This matter is discussed in greater detail in connection with the cost study provided under Issue I.1.

Q. WHAT ABOUT VERIZON'S 'END-TO END' SERVICE CARVE OUT WHICH IT CLAIMS PROVIDE AN EXEMPTION FROM ITS REQUIREMENT TO CHARGE UNE RATES?

A. There is no end to end service exemption related to Verizon's obligation to provide facilities at UNE rates for interconnection. In fact, I don't really know what this means. The argument appears to be simply a variant of the previously discredited argument that the UNE-P need not be provided by ILECs because the

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¶ 321, (Rel. Nov. 5, 1999) (UNE Remand Order); *Local Competition Order* at ¶ 439 et.

Act requires a CLEC to combine UNEs with its own facilities; an argument that has been rejected outright by the Supreme Court.[68] The distinction that Verizon is trying to make is a distinction without a difference in terms of its obligation to provide interconnection facilities at UNE rates.

Q. HAVE ANY STATE COMMISSIONS EXAMINED THIS ISSUE?

A, Yes. The Massachusetts Commission also refused to accept Verizon's "end to end service" argument in an AT&T Broadband (formerly MediaOne Telecommunications of Massachusetts, Inc.)/Verizon arbitration. In that case Verizon claimed that the dedicated transport facilities it leased to AT&T Broadband between the terminating point of a mid-span meet facility located at a Verizon tandem, and Verizon's other tandems should be priced at access rates, because, among other things, it was providing an "end to end access service". The Massachusetts Commission rejected that argument and found that the facilities were inter-office facilities that should be priced at UNE rather than access rates.[69]

Q. WHAT ABOUT THE PRICE DIFFERENTIAL BETWEEN UNE RATES AND ACCESS RATES?

A. The Act clearly requires that CLECs can interconnect with and use the ILEC's network at prices based upon the cost of providing interconnection or network

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68 *AT&T* v. *Iowa Utils. Bd.*, 119 S.Ct. 721 (1999).

69 MediaOne Telecommunications of Massachusetts, Petition for Arbitration of Interconnection Rates, Terms, and Conditions with New England Telephone and Telegraph Company d/b/a/ Bell Atlantic-Massachusetts, Inc. v. Bell Atlantic, D.T.E. 99-42/43-A, (March 15, 2001).

elements.[70] Despite this mandate, Verizon nevertheless proposes to charge access rates for interconnection facilities. Verizon's access rates exceed the economic costs of providing transport facilities. The FCC has recognized that access charges are not based on forward looking economic cost, but are generally well above economic cost.[71]

The price differential between access rates and UNE rates for DS-1 and DS-3 facilities for Virginia is significant. A sample comparison of special access and UNE rates UNE DS-1 and DS-3 facilities is provided in Exhibit DLT-7.

Q. WHAT IS THE EFFECT OF THE VERIZON PROPOSAL?

A. Verizon's proposal unfairly increases Verizon's revenue by requiring AT&T to purchase expensive collocation or, in lieu of collocation, by requiring AT&T to pay exchange access revenue rather than UNE revenue whenever AT&T leases facilities from Verizon. The unfairness of this proposal is more striking when one examines it in the context of Verizon's other proposal that I discuss in my testimony relating to Issue VII-5.

Q. HOW IS THIS ISSUE RELATED TO ISSUE VII-5?

A. It is simply the mirror image of this issue, because it relates to what Verizon would pay AT&T if Verizon were to lease interconnection facilities from AT&T to deliver its traffic to the POI. Basically, as I will explain in my discussion on that issue, Verizon's position is that is does not have to fully compensate AT&T

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[70] 47 U.S.C. ¶252(d)(1).

[71] *First Report and Order, Access Charge Reform,* 12 FCC Rcd 15982, ¶¶ 258-84. (1996).

for its costs if Verizon leases interconnection facilities from AT&T. Specifically, Verizon proposes that if AT&T does not establish enough POIs in locations that are acceptable to Verizon, Verizon does not have to pay AT&T any distance sensitive charges incurred by AT&T for that transport. So in summary, taking these two issue together, we see that Verizon is proposing that AT&T must overpay Verizon for using its facilities, while Verizon can underpay AT&T if it uses AT&T's facilities. These proposals are not only direct violations of the Act, but are blatantly anticompetitive and unfair.

Sub-Issue III.4.B. Should Verizon have the unilateral ability to terminate trunk groups to AT&T if Verizon determines that the trunks groups are underutilized?

Q. PLEASE DESCRIBE SUB-ISSUE III.4.B.

A. Sub-Issue III.4.B is set forth in the DPL as follows: "Should Verizon have the unilateral ability to terminate trunks on interconnection trunk groups to AT&T if Verizon determines that the trunk groups are underutilized?" Verizon claims that it must have the ability to unilaterally terminate its outbound trunks (those which carry traffic to AT&T) when those trunk groups are underutilized in order to enable it to manage its network. Specifically, Verizon seeks to disconnect its outbound trunks if it unilaterally determines that actual traffic volume over a certain 90-day period is not sufficient to support these trunks. This type of unilateral action is contrary to industry standards and could negatively affect AT&T's ability to serve its customers. AT&T proposes that mutual agreement be required before any trunks are terminated. This proposal is consistent with good network management practices and the promotion of competition.

Q. WHY DOES GOOD NETWORK MANAGEMENT REQUIRE MUTUAL AGREEMENT BETWEEN THE PARTIES BEFORE TRUNK GROUPS ARE TERMINATED?

A. Interconnection trunk groups are established between two switches, one belonging to each party. The failure of either party to set up corresponding trunk group parameters (e.g., routing instructions, traffic direction, number of trunks) would result in the failure of the trunk group or substantially diminished performance. Thus, by their nature, interconnection trunk groups are *mutual* instruments of traffic exchange, are established by *mutual* action and should be only be modified

and discontinued through *mutual* action. Accordingly, unilateral modification or discontinuation of trunk groups by either party should be prohibited.

Q. DO THE INDUSTRY STANDARDS SUPPORT THIS POSITION?

A. Yes. The Ordering and Billing Forum (OBF) of the of the Alliance for Telecommunications Industry Solutions has specified the procedures and forms for interconnected carriers to use to add, modify and discontinue interconnection trunks. Under this process, the party that has "control" over the trunk group would issue an order in the form of an Access Service Request to the other party to establish, increase or decrease a trunk group. The other party would reply with an order confirmation; or, if the other party believes the requested action is unwarranted or inappropriate, it would set up a meeting (normally a teleconference) to resolve the difference. This is a common, if not daily, occurrence among trunk provisioning centers. AT&T is simply proposing that the parties follow this standard industry practice.

Q. WHAT SHOULD VERIZON DO IF AT&T DOES NOT CONFIRM VERIZON'S REQUEST?

A. If AT&T's trunk provisioning center happened to misplace or delay a Verizon disconnect trunk order, this should not give Verizon the right to take unilateral action which may adversely affect the performance of AT&T's network. If Verizon personnel do not receive the confirmation they expect, they may re-send the order, pick up the phone or send an email message. The managers of AT&T's and Verizon's trunk provisioning centers are well known to each other and resolve trunk provisioning issues on a regular basis.

Q. WHY IS VERIZON REFUSING TO AGREE TO FOLLOW STANDARD INDUSTRY PRACTICE?

A. Even though Verizon and AT&T have already agreed to trunk a provisioning process, and to abide by the OBF guidelines, Verizon is still insisting on a unilateral right discontinue trunks, not out of any concerns over AT&T's practices, but instead because, Verizon asserts, some other CLECs may opt into the AT&T agreement and, it claims, many of these carriers will not establish cooperative trunk servicing procedures. [72]

Q. WHAT IS YOUR RESPONSE TO VERIZON'S EXPLANATION?

A. First, Verizon's concern is based on pure speculation that some unnamed carrier will opt into the AT&T agreement and will refuse or be unable to implement cooperative trunk servicing practices. It is not rational or fair to penalize AT&T because of some speculation regarding the possible future actions of a party that is not part of this agreement. Second, even if Verizon's worse fears were realized, it simply has to take action to enforce its agreement. The solution is not to restrict AT&T.

Q. WHAT ARE SOME OF AT&T'S CONCERNS WITH VERIZON'S PROPOSAL?

A. Because trunk groups exist on both parties' switches, if one party alters a trunk group without the other party making a corresponding change, plant becomes stranded and maintenance problems are created. If AT&T's records show that a certain trunk group has 48 trunks and Verizon has unilaterally discontinued 24

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[72] Verizon Response at 43.

trunks, AT&T personnel may spend needless time trouble-shooting and identifying the cause. If such a situation goes undiscovered for a longer period, the 24 unused trunk terminations on AT&T's switch are stranded and not available to be used for growing other trunk groups.

More importantly, however, Verizon's proposal has customer affecting implications. Since trunk traffic is inherently "spiky" by nature, it is not unusual to see substantial increases of traffic after a period of relative stability. Verizon's proposal does not give AT&T the opportunity to provide information about impending traffic volume increases. As a result of Verizon's unilateral action, unbeknownst to AT&T there may be too few trunks in a certain trunk group to handle new AT&T customers. Excessive, customer-affecting call blocking would result. AT&T considers such situations very serious and expends substantial technical and management resources trouble shooting, escalating and restoring service. All of which could be avoided if Verizon simply received AT&T's confirmation before discontinuing trunks.

Consider another example of how Verizon's proposal could adversely impact customers. From time to time Verizon, for whatever reason, may delay an AT&T customer's activation date. If during that delay Verizon's trunk engineering group were to disconnect, as "underutilized," the trunks AT&T planned to use to serve that customer, AT&T's customer could be subject to further delays as AT&T, once again, is forced to request that Verizon "turn up" the trunks. There is really no reason to create these types of problems for AT&T and its customers. Certainly, Verizon's phantom "bad CLEC" excuse is not an adequate reason.

AT&T's proposal, on the other hand, provides, consistent with industry practice, that the parties will cooperate on trunk capacity issues and avoid the types of problems mentioned above.

INTERCARRIER COMPENSATION ISSUES

Issue I.6 ***Virtual FX Traffic*** Is the jurisdiction of a call determined by the NPA-NXXs of the calling and called numbers?

Q. PLEASE DESCRIBE ISSUE I.6.

A. Issue I.6 relates to how one should determine the jurisdiction of a call when the receiving or called party is located physically outside of the calling area of the exchange to which that customer is assigned a number. It is AT&T's position that the jurisdiction of a call should be determined by the NPA-NXX of the calling and called numbers.

Verizon, however, asserts that when a Verizon customer dials a number assigned to an AT&T assigned NPA-NXX in the customer's own legacy Verizon rate center, and AT&T picks up that call in the Verizon rate center and routes that call to the AT&T customer who happens to be located in a different legacy Verizon rate center, the call should be treated as a toll call and AT&T should pay Verizon originating access charges. Since it is AT&T's position that traffic should be rated based on the NPA-NXX assigned to the customer without regard to the customer's physical location, the call described above which is to a number in the customer's own legacy rate center, would be a local call for which Verizon would pay AT&T reciprocal compensation.

Q. WHAT IS THE BASIS FOR VERIZON'S POSITION?

A. Verizon claims that such calls should be treated as toll calls because under *its* Tariff such calls would be toll calls, and because, in the absence of AT&T's

network, Verizon would collect toll revenues if it handled the call, or originating access charges if another carrier handled the call. Therefore, Verizon asserts that such calls are interexchange, not "local" calls and therefore are subject to originating access charges and are not subject to local reciprocal compensation.[73]

Q DOES VERIZON'S PROPOSAL REQUIRE AT&T TO MIRROR ITS LOCAL CALLING AREAS?

A. In an indirect way it has that effect. Obviously, AT&T is free to develop whatever local calling areas it chooses for its customers. However, as I will explain in more detail later in my testimony, Verizon's proposal exerts economic pressure on AT&T to conform to Verizon's local calling area by imposing a financial penalty on AT&T when it offers a service that does not mirror Verizon's legacy local calling areas.

Q. WHAT IS WRONG WITH HAVING CLEC'S MIRROR VERIZON'S LOCAL CALLING AREAS?

A. As I testified earlier, over the past century, as modern electronic switches replaced cord switchboards and mechanical switching, the cost of transport decreased, and local calling areas have generally evolved to encompass larger geographic areas. The AT&T network has taken this development even further. The broad geographic coverage of AT&T's local switches simply does not correspond to Verizon's network architecture and legacy local calling areas. For that to occur, AT&T would have to deploy a Verizon look-alike network, and that would be highly inefficient for AT&T. Verizon's legacy local calling areas are an artifact

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[73] Verizon Response at 62-63.

of a monopoly era and Verizon's network architecture. Implementing decisions that promote the adoption of legacy local calling areas on emerging competitors limits the flexibility of the CLEC to leverage its efficient network design for the benefit of consumers.

AT&T is asking the Commission not to restrict competition by limiting customers choices based on legacy local calling areas, but rather allow technology, network efficiencies and market forces to determine what and how services should be offered in Virginia.

Q. PLEASE DESCRIBE FX SERVICE AND HOW IT IS RELATED TO THIS ISSUE.

A. Traditional FX service, which is offered by Verizon, involves the provision of local dial tone to a customer from a remote local switch; that is, a switch other than the switch from which the customer would ordinarily receive local dial tone. Verizon offers FX service as an ***exchange service*** in its Local Exchange Service Tariff. In the tariff, Verizon provides the following definition: Foreign Exchange Service is exchange service furnished from one exchange to a location in another exchange by use of Series 2000, type 2006A, Channels.[74] Verizon's Tariff goes on to state: "The long distance and local message charges and the extent of local service applicable, are the same as apply to other Local Exchange Services provided from the same foreign exchange." Thus, when a Verizon customer dials a number assigned to the customer's own legacy rate center and Verizon routes

that call to a Verizon [FX] customer who happens to be located in a different legacy Verizon rate center, Verizon treats this call as a local call, not as a toll call. That is, the Verizon end user that originated the call pays Verizon local charges for that call.

An FX arrangement simply allows a customer to be assigned a telephone number and to receive calls as if he or she was located in a given exchange, regardless of the physical location of the customer. In the Verizon network, this is accomplished via the provision of remote dial tone – that is dial tone from the foreign switch (i.e., in a distant or foreign rate center) connected to the native serving wire center (i.e., in the home rate center) via an interoffice private line facility. The FX customer pays Verizon the cost of that interexchange transport. [75]

Q. DOES AT&T ALSO PROVIDE AN FX REMOTE DIAL TONE SERVICE?

A. No. As I will explain below, because of the differences in network architecture, it would not make sense for AT&T to provide a remote dial tone service. However, AT&T does offer its customers an FX-like local service that provides its customers with similar benefits. This local exchange service provides AT&T's customers with the ability to be assigned a telephone number in a location that is different from the customer's actual location. The service is not an FX arrangement in the traditional sense because AT&T's switch (wire center)

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[74] Verizon Virginia, Inc., Local Exchange Services Tariff, S. C. C. –Va. –No. 202, Original Page 2, ¶ B(4)(a). This same language has been in the Tariffs filed by Verizon's predecessor, Bell Atlantic – Virginia, Inc. since at least 1995. Id. at ¶ B(4)(a)(6).

encompasses the areas served by the originating and terminating NPA-NXX codes. Calls between such NPA-NXX codes are completed within the AT&T switch. Because such calls are intra-switch calls, AT&T does not require private line arrangements such as those used by Verizon to connect its two separate wire centers, the one serving the customer and the one serving the NPA-NXX.

Q. WHAT ARE THE CHARACTERISTICS OF AT&T'S FX-LIKE SERVICE?

A. AT&T, unlike Verizon, offers this local service option at no additional charge to its end users. This offering is attractive to local telephone customers with a high-inbound traffic requirement that is originated over a broad geographic area. Such customers may include a taxi dispatch service, an answering service, a radio station talk show, a help desk service, an ISP, or numerous other businesses with similar telecommunications needs. AT&T sees its service offering as a way to differentiate itself from Verizon and to take advantage of the efficiency of its different network architecture. Thus, AT&T is able to offer local telephone customers a service advantage that Verizon has thus far chosen not to match.

Q. PLEASE EXPLAIN IN MORE DETAIL HOW THE DIFFERENCES IN NETWORK ARCHITECTURE ENABLE AT&T TO PROVIDE THIS FX-LIKE SERVICE IN A MORE EFFICIENT MANNER.

A. As previously described in the discussion of the POI issue, there are fundamental differences between the network architecture deployed by AT&T and the legacy network architecture deployed by Verizon. Verizon's network is comprised of numerous local switches, each of which provides dial tone to customers located

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[75] See Verizon Response at 63.

within the wire center served by the switch. These local switches are connected by tandem switches, until there is a sufficient volume of traffic to justify establishing direct connections between the local switches. Comparatively, AT&T provides dial tone out of multi-functional switches with high capacity, each of which covers multiple Verizon rate centers.

Because of AT&T's architecture, differences in transport distance are largely immaterial to AT&T's costs of providing local service. The costs to serve a customer close to AT&T's switch are not materially different than the costs to serve a more distant customer. Consequently, AT&T's network architecture allows AT&T to serve local telephone customers at relatively greater distances at comparable costs. Since traffic terminated to the NPA-NXX chosen by a customer has no appreciable impact on cost relative to the geographic location of the customer, AT&T's existing local rates do not reflect any additional charges related to the distance between the end user is from his/her NPA/NXX.

Traditional FX service, on the other hand, is comprised of: (1) local dial tone to a customer from a remote end office switch (i.e., the foreign switch) - a switch other than that from which that customer would ordinarily receive local dial tone (i.e., the native switch); (2) a dedicated interoffice private line facility between the customer's serving wire center and the foreign switch; and (3) a local loop. The customer of a traditional FX service would pay Verizon for the dial-tone line and monthly fixed and per-mile charges for the dedicated interexchange facility.

AT&T's FX-like local service offering is comprised of a single switch (a single wire center) and the local loop. There is no dedicated interoffice facility component. The key difference then is that Verizon's traditional FX service has a dedicated interoffice transport facility and a local portion (the dial-tone line), whereas AT&T's NPA-NXX offering has only a local portion.

This distinction is important since the definition of traditional FX service is the provision of dial tone from a foreign switch or exchange. In AT&T's network, dial tone is provided by the customer's native switch, not a foreign switch. Since AT&T's switch serves a much broader geographic area than do Verizon's individual local switches, AT&T is able to terminate traffic to customers within different Verizon legacy rate centers at comparable cost. Hence, from the perspective of AT&T's network, there is no difference in function or cost to terminate a call in one rate center versus another, and thus AT&T can offer this service at no additional charge to the customer as part of its local service offering. This is an important distinction because the Act defines telephone toll service as follows:

> The term "telephone toll service" means telephone service between stations in different exchange areas for which there is made a separate charge not included in contracts with subscribers for exchange service [76].

Thus, despite Verizon's assertions to the contrary, AT&T's FX-like service is not a toll service, as defined in the Act.

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[76] 47 U.S.C. §153(48).

Q. IS VERIZON'S POSITION ON AT&T'S FX-LIKE LOCAL CALLING CONSISTENT WITH VERIZON'S TREATMENT OF ITS FX SERVICE?

A. No. As I explained above, Verizon's position on this issue is inconsistent with the manner in which Verizon rates calls to its FX customers today. Verizon rates its FX calls as local or toll based on the customer's selected (foreign) rate center NPA-NXX, not on the physical location of the customer. If the NPA-NXX of the FX customer is located in the same local calling area as the called party, Verizon treats that call as local. Therefore, following the practice that Verizon has had in place for many years, the NPA-NXX of AT&T's FX-like customer, not the physical location of the customer, should be used to determine the rating of AT&T's calls.

Q. HOW IS THIS ISSUE RELATED TO THE CALLING PARTY'S NETWORK PAYS REGIME ("CPNP")?

A. According to the FCC, "Existing access charge rules and the majority of existing reciprocal compensation agreements require the calling party's carrier, whether LEC, IXC, or CMRS, to compensate the called party's carrier for terminating the call. Hence, these interconnection regimes may be referred to as "*calling-party's-network-pays*" (or CPNP)".[77]

The fundamental principle of the CPNP regime is that the party collecting the revenue for a call (*i.e.*, the originating party in the case of local exchange service) compensates the other party for the use of its network. AT&T is lawfully entitled

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[77] *Intercarrier Compensation NPRM*, ¶ 9.

to recover its costs to terminate local exchange traffic originating on Verizon's network.

AT&T's position in this case is fully consistent with the CPNP regime in place in Virginia. However, Verizon's position that CLECs should compensate Verizon in the form of access charges for AT&T's FX-like traffic when, in fact, Verizon is collecting the revenue for these calls turns the current CPNP regime on its head.

There is simply no basis for this Commission to order that AT&T's FX-like Virtual FX traffic should be an exception to the CPNP regime. The Commission should come to the only rational conclusion, that AT&T's FX-like traffic should be compensated in the same manner as all other telecommunications traffic other than exchange access and information access traffic.

Q. ARE THERE ANY OTHER PROBLEMS WITH VERIZON'S PROPOSAL?

A. Yes. Verizon's proposal would create significant technical and billing challenges. In order to implement Verizon's proposal that AT&T's FX-like traffic be treated as toll traffic rather than as local exchange traffic, the Commission would have to order that this traffic be segregated and somehow tracked separately from other telecommunications traffic. This would be an extremely costly endeavor with no public benefit.

Moreover, the industry would have to change the rules on how intercarrier traffic has been rated up to now. The current industry standard method for rating and billing calls between carriers is to measure the distance between the V & H coordinates associated with the NPA-NXX of the originating and terminating end